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**A  
PROJECT PROPOSAL  
for a  
CLIENT FUNDS BANKING SYSTEM**

**SUBMITTED BY  
KAY NIDIFFER ROGERS**  
in partial fulfillment of participant requirements  
for the South Carolina Certified Public Manager Program

**15 August, 1996  
Columbia, South Carolina**

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## **Project Proposal for a Client Funds Banking System**

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## Memorandum

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**To:** *Leo Richardson, Ph.D.*  
**From:** *Kay N. Rogers*  
**Date:** *08/15/1996*  
**Subject:** *Project Proposal for a Client Funds Banking System*

I am attaching the Project Proposal for a Client Funds Banking System. We have discussed it on several occasions. The proposal describes a public sector innovation that would safeguard citizens' assets, increase accountability and efficiency. The project would analyze, describe and redesign current banking practices. The statewide banking system being proposed would standardize and control banking practices for client personal funds.

Today's public has heightened concern over service quality, assets safety, and workplace efficiency in the public sector. I am convinced the Department can achieve substantial, measurable benefits through a systematic remedy of converting our current client fund banking practices into a coherent statewide system which takes advantage of current technology.

At present, we have fragmented, uneven compliance with regionally- unique performance standards and weak prescriptive standards. County Operations Audits for the past ten (10) years document serious deficiencies in our local financial management practices. Citizens who come into our custody deserve competent, efficient and effective management of the few assets they have.

We must attempt to correct our deficiencies; it is the right thing to do and it will require no, repeat, no state dollars! If you decide to proceed, we first need to create some stakeholder buy-in. My natural inclination is to accompany a project proposal with a complete and detailed workplan. I am resisting that style since the Department is in the midst of second-order change in nearly every Program and all Administrative functions.

Therefore, I suggest that we convene a small workgroup-- a "kitchen cabinet" of sorts -- to advise on the feasibility and composition of project planning and work teams. While I have identified purpose, objectives and key decisions in the planning phase, the workgroup can help us be more precise about how we will answer the "6Ps" of marketing human service innovations: What is the *product* we propose? What is the *place* that these services will be delivered? How will we *promote* our product and services? What will be the *price* for our product and services? What *political considerations* are we likely to encounter? How should we influence *public opinion* to gain approval of this initiative?

Anticipating that you may wish to proceed in an informal manner, I will initiate informal contact with several key informants to test the political winds and attitudes of leading County Directors.

## **Overview of The Proposed Client Funds Banking System**

### **Goal**

The goal of the proposed client funds banking system is to achieve substantial, measurable benefits by converting the client funds banking practices of forty-six (46) counties into one coherent, simplified statewide system

### **Objectives**

- ◆ Maintain/ build from and expand mutually beneficial banking relationship currently in operation
- ◆ Develop and implement a customized Client Funds Banking System
  - ◆ Minimize training needs
  - ◆ Provide for consistent reconciliation
  - ◆ Minimize capital expenditures
  - ◆ Increase efficiency at the local level

### **Customer Requirements**

- ◆ Increase efficiency of client banking operations
- ◆ Measure various phases of Agency operations
- ◆ Identify separate groups of clients
- ◆ Assign authority and responsibility
- ◆ Increase accountability over client personal funds
- ◆ Enhance reconciliation of client funds
- ◆ Maintain local control of client personal funds

### **Meeting the Needs**

- ◆ One statewide DSS disbursement account with individual client accounts
- ◆ Toll-free access via touch- tone phone
- ◆ Customized documents/checklists
- ◆ Efficient account maintenance
- ◆ Central Treasury Connection

### **Strengths**

- ◆ Quality customer service
- ◆ Flexible and responsive
- ◆ Safety and soundness

### **Key Benefits**

- ◆ No capital investment
- ◆ Automated interest processing
- ◆ Provide appropriate accounting/management data
- ◆ Increase Agency efficiency/consistency
  - ◆ Allows electronic credit/debit to individual accounts
  - ◆ Provides touch-tone access to client balances and recent transactions history
- ◆ Provide simplification of work processes through one statewide disbursement account

## **PROJECT PROPOSAL FOR A CLIENT FUNDS BANKING SYSTEM** **SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES**

This is a summary of the project proposal to implement banking and accounting services for funds managed for clients by the Department of Social Services. This includes adults and children in the custody of DSS. The system design is based in part on an irrevocable trust accounting system for DSS foster care clients already in operation.

DSS is a state agency with local offices in 46 counties. At present, the local offices report direct to the DSS State Director and are geographically clustered in a regional administrative structure. The statewide banking institution is referred to as "the Bank."

The summary is organized under the following headings:

- Current Situation
- Problems with the Present System
- Objectives of the Proposed System
- Overview of the Proposed System Operation
- Anticipated Benefits of the Proposed System
- Attachments

### **Current Situation**

Currently, most county DSS offices maintain a single pooled bank account for all individuals from their counties in DSS custody. The total amount of funds statewide is approximately \$10 million, for approximately 4,500 clients.

The sources of client funds are varied and include recurring federal or state benefits, payments for child-support, insurance or other court-ordered settlements, monthly pension payments, etc. Financial eligibility for most programs administered by the Agency takes into account income and resources available to the client. Therefore, funds held in the county accounts for most clients are considered to be resources and must be monitored to guard against loss of eligibility caused by exceeding allowable limits. The resource limits vary by benefit program.

The pooled accounts vary from \$4,000 to \$169,000 in size. Access to and utilization of the funds is the responsibility of caseworkers who are to use the funds to meet the client's needs, in accordance with Human Services Policy and Procedures.

County fiscal staff maintain records of income and spending for each client. Most counties distribute interest earned on the pooled account to all clients on a monthly basis. Generally the county fiscal staff maintain these records on stand-alone, PC-based accounting packages.

### **Problems with the Current System**

The DSS Internal Audits Division has performed many audits related to county office management of personal funds. Auditors have encountered internal control and equity problems and have identified the inconsistencies among counties in managing these funds. In addition, there are programmatic problems with the current funds management processes. Some of the problems with the current practices are the following:

- \* The current practices are a major obstacle to managing the complex and often counter-productive interactions between SSI, other Federal and State funding streams supporting child welfare.
- \* There is an unsettlingly high turnover rate ( >50%) among human service caseworkers and this churn further weakens the current practices.
- \* There is no common methodology used by counties for interest distribution among clients, and the distribution process is often very time consuming.
- \* Cash management is currently a time consuming, inefficient process, with county staff making over-the-counter deposits of benefit checks and miscellaneous income on a near daily basis.
- \* There are no bridges to other client information systems, thus causing inefficiencies such as repetitive keying and storage of basic demographic information on clients and manual matching of information between systems (such as posting month-end fund balances on the hall bulletin board for workers to see if they have clients on the list whose accounts need attention).
- \* There are accountability problems with management of client funds in selected offices, as identified in internal audits.
- \* Since most counties maintain a single account for all clients, accounts may exceed the \$100,000 limit on FDIC insurance coverage. The 1994 Year- End County Operations Audit indicates that 20% of all pooled accounts exceeded the FDIC limit. In case of a bank failure, clients could sustain substantial losses.
- \* With no common accounting system among the county offices, it is extremely difficult and time consuming for the Audit Division to compile records at the end of the fiscal year.
- \* The accounting systems used by county records generally do not permit on-line, current individual client account balance information.
- \* The DSS State Office has no centralized records of client personal funds and cannot monitor accounts during the year. Staff must carefully monitor client accounts to ensure that they do not exceed the Medicaid and other resource limits, which would make them ineligible for services.

### **Objectives of the Proposed System**

The aims of the proposed system are the following:

- \* Increase the efficiency of the banking operation for clients for whom DSS is custodian.
- \* Continue the local control over personal funds by county DSS workers and fiscal staff and ensure continued flexibility in funds management.

- \* Provide an interface capability between the client banking system and other client information systems. Presently, there is no unique identifier for the client that is shared between systems.
- \* Increase the accountability over the personal funds.
- \* Identify separate groups of clients within the banking system for separate monitoring and account review, such as children receiving accelerated board payments and/or "Proviso" children.
- \* Improve reporting capabilities on a client-by-client, county, and statewide basis.
- \* Increase the oversight of the State Office and regional offices over client personal funds.
- \* Minimize the banking costs and maximize the client interest earnings.
- \* Establish an automated, consistent distribution of interest earnings among clients.
- \* Enlarge client's location and records address to a whole-state database, in contrast to the current practice of restricted enrollment and maintenance by county, which requires manual transfer when the client moves to another county's jurisdiction.

### **Overview of Proposed System Operation**

The attached flow chart illustrates the three major transactions performed by the system. Brief descriptions of the proposed system follow:

**Central Disbursement Account.** There will be a centralized, pooled disbursement account for all clients. Checks are written from this account and payments will be covered by transfers of funds from clients' individual accounts. County staff who have the approved system security will initiate all transactions. Figure 1 summarizes the payment process. Because of the need for flexibility by county DSS staff in making funds available for client needs, local workers will continue to request disbursement, approve and produce checks to meet client needs. After supervisory approval for the disbursement request, the county fiscal officer will confirm the client's account balance through a touch-tone telephone call to a toll-free number, transfer the needed funds into the disbursement account on the same call and then issue the check from the disbursement account, covered by the client's transferred funds.

**Benefit Deposits.** There will be separate deposit accounts for all clients. As indicated in Figure 2, benefit payments from the Social Security Administration and other sources will be transferred by electronic transfer to the credit of these individual accounts. This will be much easier to establish on a statewide basis than to have all county offices set up electronic deposits with their respective banks.

**Miscellaneous Deposits.** Figure 3 shows the process for making miscellaneous deposits to client accounts. County staff will daily mail funds received to the Bank's Operations Center or lock-box location. The bank will handle crediting the appropriate client accounts. The client fund account deposit form is attached. This process will avoid daily over-the-counter deposits that

county staff make now to avoid holding funds overnight in their offices. The bank will credit interest earnings to clients monthly on the basis of their average daily balances.

**Account Maintenance and Information Access.** Many transactions will be made through use of a touch-tone phone and a dedicated, toll free number. These include accessing information on client account balances, determining the status of the last five deposits or payments, transferring client funds into the central disbursement account to cover a check, and changing the county location of a client.

Similar to the direct deposit capability, the proposed system envisions using electronic funds transfers to pay client's recurring monthly expenses, especially rent, telephone, power, etc. for adult clients. This will reduce significantly the number of checks written by county offices, and even when paper checks are necessary, one check on the disbursement account can include several clients' payments.

**Reporting.** The Bank will provide monthly reports summarized on a county-by-county and client by client basis. In addition, the Bank will generate special reports such as an exception report for clients approaching the Medicaid eligibility limit. An exception report will also be generated that itemizes accounts dormant over six months and/or whose only activity is interest posting each month. Interim client account information and/or management information reports during the month will also be available.

DSS will have on-line computer access to the disbursement account as the Agency decides to make this available--for the State Office and regional offices. The Bank will provide monthly reports of individual client accounts and a reconciliation statement of the statewide disbursement account. At the end of the year, the Bank will generate the federally required 1099 forms for clients indicating interest earnings, as they do now for the statewide irrevocable trust account.

**Fees.** There will be no capital investment required to implement the system. The State and county DSS offices have touch-tone telephones and fax machines. The Bank will provide the appropriate accounting software for the DSS Treasurer's Office.

There will be a standard fee charged monthly to each client's account. Results of the planned statewide survey of account activity will be used to develop a proposed fee structure. There will be no DSS funds used to pay these fees. DSS will continue to buy checks, envelopes and other low cost supplies for the banking operation.



### **Anticipated Benefits of the Proposed System**

Because the objectives of the proposed system are in fact anticipated benefits, I will focus my comments on the macrolevel and highlight five benefits:

- \* The proposed system takes advantage of networks already created by the banking industry for moving funds around. It also transforms the IT role to adding value beyond speed.
- \* The proposed system would free us from mimicking organizational structures that do not reflect the actual business processes taking place.
- \* By employing an integrated information, banking, accounting and processing system, DSS is able to avoid maintaining difficult and expensive interfaces between dissimilar applications and database architecture to support the whole system.
- \* The proposed system makes a significant contribution to the Agency's internal controls processes, and significantly advances our commitment to sound business practices in state government.

### **Summary**

In summary, the proposed system saves administrative and operating costs, yields time savings and less human error in the records. For our clients, these benefits translate into reduced liability for ineligibility or loss of funds. For the Department, they translate into reduced liability for material audit exceptions, paybacks to Federal agencies and/or unnecessary drain on State funds, all caused by systemic problems that are identifiable and for which solutions can be achieved.

## **Representative Evaluation Measures for the Proposed System**

Beginning in the project planning phase and integrated throughout the project, operating standards will be defined and interlocked with evaluation measures and methods by which the proposed system would be measured. The focus would be on the process of delivering a product of consistent quality with the assurance of meeting two conditions: 1) that products conform to standards and, 2) that through better risk management, there is improvement in how the Department manages clients' personal funds and associated assets. Baseline data would be generated through the survey of local banking practices and other information-gathering activities in the project planning phase.

The project could conceivably be piloted in a single local office or a group of offices within certain regions. Therefore, the evaluation design would need to include measures that are scalable from pilot operations through ramp-up to the statewide system.

Successful implementation and operation of the proposed client funds banking system would be measured by several criteria including, but not limited to, the following:

- ◆Department gains capability to accept and manages direct deposit of all federal benefits for custodial clients by newly-mandated implementation dates
- ◆Increased use of direct deposit and automatic debit features available to all retail banking customers
- ◆Reduction in local requirements for record-keeping, reconciliation and reporting tasks
- ◆Reduction in frequency of occurrence and number of client accounts that have amounts exceeding certain resource limits, are inactive, and/or dormant and the client has left the custody and control of the State
- ◆Reduction in number of material audit findings about management of client fund accounts by Internal and/or State Auditors
- ◆Reduction in number of clients for whom interest due is incorrectly calculated or not allocated at all
- ◆Accurate reporting and efficient generation of 1099's for clients
- ◆Customer satisfaction in local business and client services offices
- ◆Department generates actionable management information

## Purposes, Objectives and Key Decisions of the Planning Phase

To begin, we need to determine the **purposes and objectives of the project planning phase**, how information will be obtained and used, and who will be responsible for managing the process. The primary function of the planning phase is to explore current client banking practices, describe current practices and attitudes, and explain the proposed client funds banking system.

There are several **purposes** to the planning phase: 1) identify perceptions about client banking needs or priorities, 2) gather data that will help us gauge popular support for the proposed system, 3) assess how well current practices work, 4) design an efficient and effective statewide system to meet needs, and 5) answer the "6P's" of marketing human service innovations: *product, place, promotion, price, political considerations and public opinion*.

The **objectives** of the planning phase include the following:

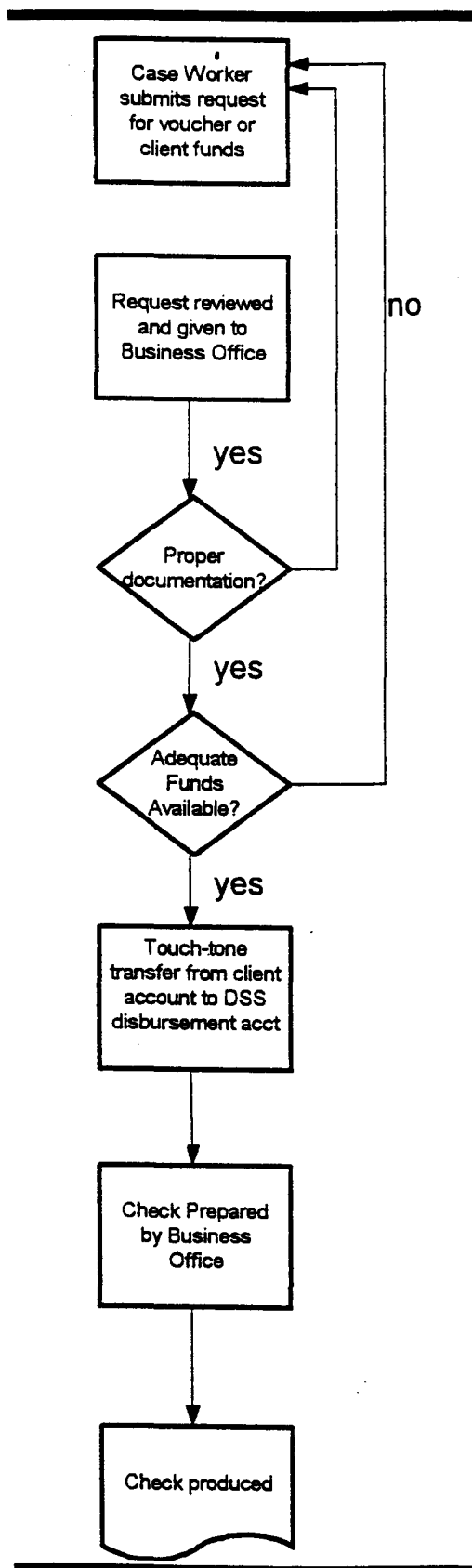
- Establish a hierarchy of needs, problems, goals and concerns about client banking
- Determine what policies, procedures, practices, or design options the various parties prefer
- Determine preferences on a continuum of support ranging from status quo to statewide change
- Evaluate the current performance of banking practices and demand for various enhancements, redesigns
- Understand and explore various attitudes, opinions and political interests of State and County managers
- Gauge Agency and individual unit responsiveness to change and to project proposal
- Design interdependent evaluation and training components

There are **several key decisions** that should be made on a consensus basis in the project planning phase:

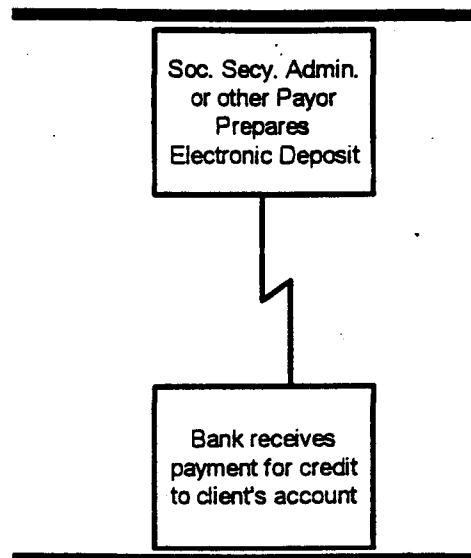
- Reach a consensus on the purpose(s) and objectives of the project proposal
  - considerations: what are the organizational, political, informational and financial reporting interests among the stakeholders and customers
  - methods: workshops, brainstorming sessions, nominal group methods
  - timeline: 3-9 months
- Specify information needs
  - considerations: which informants, what types of information are needed and what instruments are available to gather data and review proposed system and other options
  - methods: focus groups, literature review and workshops to review drafts of proposed system design
  - timeline: 3-9 months
- Identify the target population(s) for contact, consultation, and information for each component of the project
  - considerations: what are the units of analysis and how to secure information from various populations
  - methods: direct contact, survey
  - timeline: 3-9 months
- Select the method(s) of contact and desired levels of information needed for problem sources and solutions
  - considerations: review the merits of various methods, determine what is needed and balance available resources with estimated costs and benefits
  - methods: ascertain the resources available for the project, inventory personnel and staff skills, obtain estimates for implementation and various timelines based on resources, commitments, etc.
  - timeline: until done
- Organize planning results as to use by those who must present and justify the problem analysis, identified needs, solutions and improvement plan/banking system to the Executive Staff and other stakeholders

## Flow Charts for Proposed DSS Client Banking System

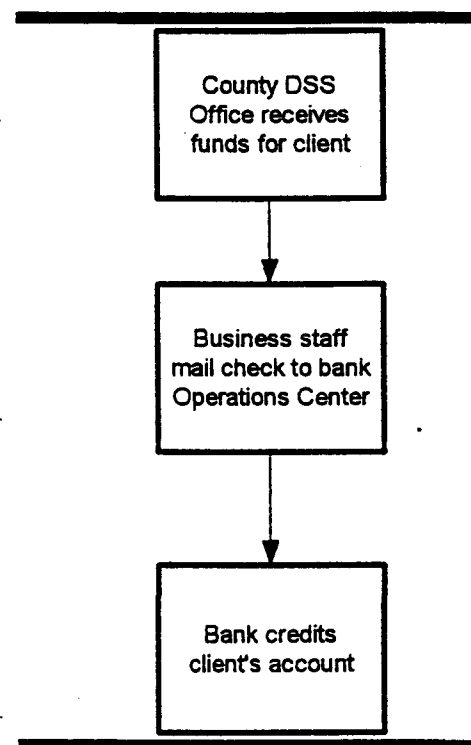
**Figure 1. Payment Processing**



**Figure 2. Direct Deposit of Benefits**



**Figure 3. Miscellaneous Deposits**



**SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES  
SURVEY OF BANKING PRACTICES FOR CLIENT PERSONAL FUNDS**

***NOTE: This is a survey of banking practices related to client personal fund accounts managed by staff in your county. The survey pertains to funds received and held in trust by the Department of Social Services and used to the benefit of individual clients. Please answer the following questions as they relate to the bank statement for the month of \_\_\_\_\_.***

- 1. In which bank or other financial institution does your county maintain client fund accounts? (Accounts for funds received for individual clients)**

\_\_\_\_\_

- 2. Client fund account activity during the month of \_\_\_\_\_:**

\_\_\_\_\_ total number of client personal fund accounts

\_\_\_\_\_ total number of clients with moneys managed by your office

\_\_\_\_\_ estimated number of clients with moneys managed by your office where there were zero beginning and ending balances for the month of \_\_\_\_\_ and no activity related to their moneys with the exception of interest posting for at least six months

\_\_\_\_\_ number of deposit transactions made to client fund accounts during the month

\_\_\_\_\_ number of disbursements made from client fund accounts during the month

- 3. Do you use direct deposit to receive client federal benefits? No \_\_\_\_\_ Yes \_\_\_\_\_**

If yes, for about how many clients? \_\_\_\_\_

- 4. Do you use electronic funds transfer to pay client bills? No \_\_\_\_\_ Yes \_\_\_\_\_**

If yes, for about how many clients? \_\_\_\_\_

- 5. Do you at times accept cash or coin receipts for client accounts? No \_\_\_\_\_ Yes \_\_\_\_\_**

If yes, about how many times during an average month? \_\_\_\_\_

- 6. Does your office have touch-tone phones? Yes \_\_\_\_\_ No \_\_\_\_\_**

- 7. Does your office have a facsimile machine? Yes \_\_\_\_\_ No \_\_\_\_\_**

If yes, # \_\_\_\_\_

County \_\_\_\_\_

Preparer's Signature \_\_\_\_\_ Phone # \_\_\_\_\_ Date \_\_\_\_\_

**Please send or fax your responses to Ms. Kay N. Rogers, Office of Financial Assessment,  
S.C. Department of Social Services - fax number (803) 734-4925.**

**Thank you!**